

**THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.
SHREVEPORT, LOUISIANA
DECEMBER 31, 2011 AND 2010**

THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 29, 2012

The Betty and Leonard Phillips
Deaf Action Center of Louisiana, Inc.
Shreveport, Louisiana

Independent Auditors' Report

We have audited the accompanying statements of financial position of The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc. (the "Center") (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy & Vestal, LLC

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THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>Current assets:</u>		
Cash and cash equivalents	140,535	11,084
Accounts receivable, net	89,418	24,779
Inventory	-	2,337
Other assets	<u>1,672</u>	<u>1,401</u>
Total current assets	231,625	39,601
<u>Property and equipment, net</u>	<u>962,440</u>	<u>1,121,949</u>
Total assets	<u>1,194,065</u>	<u>1,161,550</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Accounts payable	51,242	46,700
Accrued salaries and wages	14,951	28,079
Compensated absences	1,531	-
Current portion of capital lease obligations	<u>-</u>	<u>4,888</u>
Total current liabilities	67,724	79,667
<u>Long-term liabilities:</u>		
Noncurrent portion of capital lease obligations	<u>-</u>	<u>9,898</u>
Total long-term liabilities	<u>-</u>	<u>9,898</u>
Total liabilities	67,724	89,565
<u>Net assets:</u>		
Temporarily restricted	753,215	882,730
Unrestricted	<u>373,126</u>	<u>189,255</u>
Total net assets	<u>1,126,341</u>	<u>1,071,985</u>
Total liabilities and net assets	<u>1,194,065</u>	<u>1,161,550</u>

See accompanying notes to financial statements.

THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Support and revenue</u>		
Public support:		
Contributions	481,301	82,623
Grants	212,584	1,091,013
Other revenue:		
Fees	311,672	273,669
Promotional minutes	224,760	149,760
Rents	14,400	10,800
Sales	-	789
Other	4,234	113
Total support and revenue	<u>1,248,951</u>	<u>1,608,767</u>
<u>Expenses</u>		
Program services:		
Interpreting	725,658	527,922
Life skills	152,503	181,054
Education	102,633	77,650
Vocational	90,890	90,333
Support services:		
Management and general	55,658	51,120
Fundraising	67,253	7,296
Total expenses	<u>1,194,595</u>	<u>935,375</u>
<u>Change in net assets</u>	54,356	673,392
<u>Net assets at beginning of year</u>	<u>1,071,985</u>	<u>398,593</u>
<u>Net assets at end of year</u>	<u>1,126,341</u>	<u>1,071,985</u>

See accompanying notes to financial statements.

THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Support Services		Program Services				
	Management and General	Fundraising	Interpreting	Life Skills	Education	Vocational	Total 2011
2011							
Salaries and benefits	43,915	-	358,882	58,553	43,915	43,915	549,179
Activities and education	3	-	6	24	15	12	61
Cost of merchandise sold	135	-	270	1,082	676	541	2,704
Professional fees	743	-	9,697	5,942	3,714	2,971	23,067
Insurance	170	-	339	1,356	848	678	3,390
Utilities	694	-	1,389	5,554	3,471	2,777	13,885
Office expense	2,139	-	28,873	17,111	10,694	8,555	67,372
Maintenance	1,043	-	2,087	8,347	5,217	4,174	20,868
Miscellaneous expense	1,192	-	238,449	9,532	5,958	4,766	259,896
Depreciation and amortization	5,512	-	85,442	44,099	27,562	22,049	184,664
Interest expense	113	-	226	902	564	451	2,256
Fundraising expense	-	67,253	-	-	-	-	67,253
Total functional expenses	55,658	67,253	725,658	152,503	102,633	90,890	1,194,595

	Support Services		Program Services				
	Management and General	Fundraising	Interpreting	Life Skills	Education	Vocational	Total 2010
2010							
Salaries and benefits	38,049	-	262,273	63,415	25,366	38,049	427,153
Activities and education	138	-	276	1,243	552	552	2,762
Cost of merchandise sold	107	-	213	959	426	426	2,131
Professional fees	563	-	1,126	5,065	2,251	2,251	11,255
Insurance	150	-	300	1,349	600	600	2,998
Utilities	598	-	1,197	5,385	2,393	2,393	11,967
Office expense	2,271	-	59,413	20,443	9,086	9,086	100,299
Maintenance	315	-	17,198	2,831	1,258	1,258	22,861
Miscellaneous expense	2,812	-	173,692	25,310	11,249	11,249	224,312
Depreciation and amortization	5,715	-	11,429	51,431	22,858	22,858	114,292
Interest expense	402	-	805	3,622	1,610	1,610	8,049
Fundraising expense	-	7,296	-	-	-	-	7,296
Total functional expenses	51,120	7,296	527,922	181,054	77,650	90,333	935,375

See accompanying notes to financial statements.

THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	54,356	673,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	184,664	114,292
<i>(Increase) decrease in:</i>		
Accounts receivable	(64,639)	71,419
Inventory	2,337	(514)
Other assets	(271)	1,973
<i>Increase (decrease) in:</i>		
Accounts payable	4,542	3,643
Accrued salaries and wages	(13,128)	20,288
Payroll taxes payable	-	(37,030)
Accrued compensated absences	1,531	(183)
Net cash provided in operating activities	169,392	847,280
<u>Cash flows from investing activities:</u>		
Capital expenditures	(25,155)	(966,283)
Net cash (used) in investing activities	(25,155)	(966,283)
<u>Cash flows from financing activities:</u>		
Payments on capital lease obligations	(14,786)	(4,559)
Net cash (used) in financing activities	(14,786)	(4,559)
<u>Net increase (decrease) in cash and cash equivalents</u>	129,451	(123,562)
<u>Cash and cash equivalents at beginning of year</u>	11,084	134,646
<u>Cash and cash equivalents at end of year</u>	140,535	11,084
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	2,256	8,049

See accompanying notes to financial statements.

THE BETTY AND LEONARD PHILLIPS
DEAF ACTION CENTER OF LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. Description of Organization and Significant Accounting Policies

Organization and Purpose

The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc. (the Center) is a not-for-profit corporation organized under the laws of the State of Louisiana. The Center's purpose is to provide comprehensive services to deaf, hearing-impaired, and multiple handicapped individuals and their families, and to promote public awareness of this disability.

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Contributed Services

The Center recognizes contribution revenue for certain services received at the fair value of those services, provided those services created or enhanced nonfinancial assets or required specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During 2011 and 2010, volunteers contributed approximately 16,150 and 12,600 hours; however, these services do not meet the requirements of ASC Topic 958, *NPO Entities*, therefore, no revenue for these services has been recognized.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. There were no donor imposed restrictions on contributions in 2011. Certain grant contributions received in 2011 and 2010 were used for the purchase of equipment. The net book value of such equipment is shown as temporarily restricted net assets on the statement of financial position.

Cash and Cash Equivalents

The Center's policy is to report all highly liquid investments with a maturity of three (3) months or less as cash equivalents.

Accounts Receivable

Accounts receivable are recorded net of an allowance for uncollectibles. Management conducts a detailed review of receivable balances at year-end, and those receivables considered potentially uncollectible are set up as an allowance for uncollectible accounts. The allowance for doubtful accounts was \$-0- as of December 31, 2011 and 2010.

Inventory

Inventory consists of equipment for the hearing impaired. Inventory is valued on a specific-identification basis at standard cost, which approximates historical cost.

1. Description of Organization and Significant Accounting Policies

Property and Equipment

The Center capitalizes individual items with a cost of \$1,000 or more. Assets purchased are recorded at cost and donated assets are recorded at fair market value. Buildings and building improvements are depreciated using the straight-line method over the estimated useful lives of the respective assets. All other depreciable assets are depreciated using accelerated methods. Beginning in 2011, all assets will be depreciated using the straight-line method.

Compensated Absences

The Center's policy allows full-time employees to accrue up to a maximum of thirty-five days of vacation. The accrued compensated absences for the years ended December 31, 2011 and 2010 was \$1,531 and \$-0-, respectively.

Income Taxes

The Center is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Therefore, the Center files U.S. federal Form 990 for informational purposes. The Center is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. The Center does not expect its tax position to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Center's accounting records. The Center's federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

Public Support

The Center receives contributions from the public through membership drives during the course of the year. In addition, in every odd year, the Center hosts the Las Vegas Nights fundraiser. During 2011, approximately \$321,845 in contributions were made by donors at this event. Las Vegas Nights revenue is included in Public support – contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Changes in such estimates may affect amounts reported in future periods.

Functional Expenses

Expenses by function have been allocated between programs and supporting services classifications on the basis of time records and on estimates made by the Center's management.

2. Property and Equipment

A summary of property and equipment at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	55,227	55,227
Building	105,155	105,155
Office equipment	1,174,347	1,149,193
Building improvements	73,078	73,078
Equipment under capital lease obligations	<u>44,623</u>	<u>44,623</u>
Total	1,452,430	1,427,276

2. **Property and Equipment** (Continued)

	<u>2011</u>	<u>2010</u>
Less: Accumulated depreciation	(454,269)	(274,461)
Accumulated amortization on capital leases	<u>(35,721)</u>	<u>(30,866)</u>
Property and equipment, net	<u>962,440</u>	<u>1,121,949</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$179,809 and \$105,767, respectively. Amortization of capital lease equipment was \$4,855 and \$8,525 in 2011 and 2010.

3. **Retirement Plan**

The Center provides a retirement plan for its employees. The plan is a 403(b) Tax-Sheltered Annuity Plan in which all contributions are made by employees. The plan is available to all eligible full-time employees. Employees are fully vested in the plan immediately upon participation. The Center made no payments related to the 403(b) plan for the years ended December 31, 2011 and 2010. During 2011, the Center began providing a Simple IRA Plan. The plan is available to all eligible full-time employees. The Center matches up to 3% of employee contributions, and made payments of \$3,231 to the plan for the year ended December 31, 2011.

4. **Fundraising Costs**

During the years ended December 31, 2011 and 2010, the Center incurred fundraising costs of \$67,253 and \$7,296, respectively.

5. **Capital Leases**

	<u>2011</u>	<u>2010</u>
Equipment capital lease payable to Banc of America Leasing & Capital, LLC in original amount totaling \$24,277, payable in 60 monthly installments of \$481, at an imputed interest rate of 7.0%. The lease is secured by a pledge of equipment with original cost totaling \$24,277. The equipment is included in company-owned assets described as equipment under capital lease. The lease was paid off during 2011.	<u>-</u>	<u>14,786</u>
Total capital leases payable	-	14,786
Less-current portion	<u>-</u>	<u>(4,888)</u>
Long-term portion	<u>-</u>	<u>9,898</u>

The Center had \$331 and \$1,210 in interest expense related to capital lease obligations for the years ended December 31, 2011 and 2010. Interest expense is included in General and Administrative Expenses on the Statement of Functional Expenses.

6. **Subsequent Events**

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through June 29, 2012 and noted no subsequent events.

OTHER REPORTS

HEARD, McELROY, & VESTAL

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CERTIFIED PUBLIC ACCOUNTANTS

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June 29, 2012

The Betty and Leonard Phillips
Deaf Action Center of Louisiana, Inc.
Shreveport, Louisiana

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of The Betty and Leonard Phillips Deaf Action Center, Inc. (the "Center") (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Center are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the board of directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

THE BETTY AND LEONARD PHILLIPS DEAF ACTION CENTER OF LOUISIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

I. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc. were disclosed during the audit.
4. The Betty and Leonard Phillips Deaf Action Center of Louisiana, Inc. is not subject to a Federal Single Audit for 2011.

II. Findings – Financial Statement Review

No matters were reported.

THE BETTY AND LEONARD PHILLIPS DEAF ACTION CENTER OF LOUISIANA, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2011

2010-01

Condition: The engagement was not completed and transmitted to the Louisiana Legislative Auditor's office within the required time period.

Corrected in 2011.